

LOCAL REVENUE SOURCES

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Local Revenue Sources

☐ Property Tax  
☐ Deed Stamp tax  
☐ Sales tax: occupancy tax and meals tax  
☐ Privilege tax  
☐ Other local taxes and shared revenue

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Sources of Local Revenue: County

2008-09  
County Revenue  
by  
Source

Property Taxes	5,709,117,366
Sales Tax	1,401,920,121
Sales and Services	1,141,531,384
Intergovernmental	2,387,888,132
Debt Proceeds	1,699,919,492
Other Misc.	1,131,766,137
<b>TOTAL</b>	<b>13,472,132,632</b>

Source: Dept. of State Treasurer

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### Property Tax Constitutional authority

- N.C. Constitution gives General Assembly sole power to classify property for taxation
- Power must be exercised on State-wide basis
- Every class of property must be taxed by uniform rule, and every classification must be by general law uniformly applicable in every unit of local government

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### Property Tax Constitutional Authority

- Exemptions: property belonging to the State, counties, and municipal corporations
- Authorizes General Assembly to exempt cemeteries and property held for educational, scientific, literary, cultural, charitable, or religious purposes; personal property to a value not exceeding \$300; and \$1,000 in property held and used as owner's residence
- Only General Assembly may grant exemptions and these exemptions must be on State-wide basis

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### Generalities

- Tax imposed on all real and tangible personal property unless specifically exempted
- Appraised at true value (market value or price at which the property would exchange hands between a willing and financially able buyer and willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of all the uses to which the property is adapted and for which it is capable of being used)

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## Generalities

- Property appraised and assessed by county tax assessor
- Property must be listed during listing period: month of January
- Real property taxes due and payable on September 1 and are delinquent if not paid before January 6

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## Generalities

### Appraisal of real property

- Must be appraised at least once every 8 years, unless county is required to advance or chooses to advance reappraisal year
- 44 counties have adopted shorter reappraisal year
- County with a population of 75,000 or greater must advance its reappraisal if its sales assessment ratio fluctuates by more than 15%

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## Generalities

### Appraisal of real property

- School of Government Bulletins:
  - "A Citizens' Guide to the Revaluation and Assessment of Property by North Carolina Counties" by Shea Riggsbee Denning, Property Tax Bulletin #144, March 2008
  - "The Revaluation Revolt of 2009" by Christopher B. McLaughlin, Local Government Law Bulletin #121, September 2009

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## Generalities

### Appeal

- Taxpayers appeal to the county board of equalization and review (composed of members of board of county commissioners)
- Property Tax Commission hears appeals from county board of E & R (Commission composed of five members, three appointed by Governor and two appointed by General Assembly)
- North Carolina Court of Appeals hears appeals from the Property Tax Commission

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## Exemptions and Exclusions

- Must be authorized by Constitution and laws of State
- G.S. 105-275 lists 45 classes of property that are designated special classes of property under the Constitution and excluded from tax
- G.S. 105-278.1 - property owned by units of government
- G.S. 105-278.2 - burial property
- G.S. 105-278.3 - property used for religious purposes
- G.S. 105-278.4 - property used for educational purposes
- G.S. 105-278.5 - property of religious educational assemblies used for religious and educational purposes
- G.S. 105-278.6 - property used for charitable purposes
- G.S. 105-278.6A - qualified retirement facility
- G.S. 105-278.7 - property used for educational, scientific, literary, or charitable purposes
- G.S. 105-278.8 - property used for charitable hospital purposes

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## Property Tax Relief Programs

### Exclusions and Deferrals

- Elderly or disabled property tax homestead exclusion
- Disabled veteran property tax homestead exclusion
- Property tax deferral programs:
  1. Property tax homestead circuit breaker (G.S. 105-277.1B)
  2. Present-use value property (G.S. 105-277.3)
  3. Working waterfront property (G.S. 105-277.14)
  4. Wildlife conservation land (G.S. 105-277.15)
  5. Historic district property held as future site of historic structure (G.S. 105-275(29a))
  6. Historic property (G.S. 105-278)
  7. Inventory property tax deferral (G.S. 105-277.1D)
  8. Nonprofit property held as future site of low or moderate income housing (G.S. 105-278.6(e))

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### Elderly or disabled property tax homestead exclusion

- Excludes from property tax the greater of \$25,000 or 50% of appraised value of permanent residence of qualifying owner
- Qualifying owner must be at least 65 or totally and permanently disabled, and have an income for the previous year that does not exceed an income eligibility limit

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### Elderly or disabled property tax homestead exclusion

- For 2008, the income eligibility limit was \$25,000. In subsequent years, the limit has been indexed by cost-of-living adjustment. Income eligibility limit for 2011 is \$27,100
- Income is defined as all moneys received from every source other than gifts or inheritances received from a spouse, lineal ancestor, or lineal descendant

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### Disabled veteran property tax homestead exclusion

- Excludes first \$45,000 of appraised value of the permanent residence of disabled veteran or surviving spouse of disabled veteran if spouse has not remarried
- Disabled veteran's character of service must be honorable or under honorable conditions, and disabled veteran must either (1) have received federal benefits for specially adapted housing or (2) received certification from federal agency that the veteran has a service-connected, permanent, and total disability

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## Property Tax Deferral Generalities

- Common traits of eight deferral programs
  - Owner must qualify for program
  - Deferred taxes are lien on property and become due and payable when disqualifying event occurs
  - Only deferred taxes for deferral period plus the taxes in the year that property is disqualified become due
  - Deferred taxes are difference in taxes that would be due without the deferral minus the taxes that are paid under the deferral program

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## Property Tax Deferral Homestead Circuit Breaker

- Effective 2009, owner may defer portion of property tax on permanent residence if:
  - Owner is at least 65 OR totally and permanently disabled
  - Owner has owned home as permanent residence for five years
  - Owner's income does not exceed 150% of the income eligibility limit for the elderly and disabled homestead exclusion

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## Property Tax Deferral Homestead Circuit Breaker

- Tax limitation (2011)

Income= \$0 to \$27,100	Property Taxes limited to 4% of income
Income= \$27,101 to \$40,650	Property Taxes limited to 5% of income
Income= Over \$40,650	Does not qualify

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### Property Tax Deferral Homestead Circuit Breaker

- Deferred taxes for last three years are due if:
  - Owner dies
  - Property is transferred
  - Property no longer used as owner's permanent residence

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### Property Tax Deferral Present-Use Value (PUV)

- Since 1973, PUV program has allowed certain farmland to be assessed at PUV as opposed to market value
- PUV: value of land in its current use as farmland based solely on its ability to produce income and assuming an average level of management
- Applies to agricultural land, horticultural land, and forestland
- Purpose of program: to preserve the family farm

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### Property Tax Deferral Present-Use Value

- Classifications
  - Agricultural land: actively engaged in commercial production or growing of crops, plants, or animals
  - Horticultural land: actively engaged in commercial production of growing of fruits, vegetables, nursery products, or flowers
  - Forestland: actively engaged in the commercial growing of trees

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### Property Tax Deferral Present-Use Value

- Farmland ownership requirement:
  - individual, tenants in common, trusts, or business entity
  - If owned by individual, must be owner's home or owned by owner or relative for four years
  - If owned by business entity, must be owned by business entity or one or more of members of business entity for four years

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### Property Tax Deferral Present-use Value

- Farmland size requirement:
  - Agricultural: at least 10 acres in actual production
  - Horticultural: at least 5 acres in actual production
  - Forestland: at least 10 acres in actual production

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### Property Tax Deferral Present-Use Value

- Farmland income requirement:
  - Agricultural and horticultural: must have at least one tract that produced at least \$1,000 average gross income per year for the three years preceding the application for PUV
  - Forestland: no income requirement (not feasible since forestland generally produces income when timber is harvested)

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### Property Tax Deferral Present-Use Value

- Farmland sound management requirement:
  - Land must be used for production of agricultural, horticultural, or forestry products in manner that maximizes the return from the land
  - Forestland must have written sound management plan
  - Agricultural or horticultural land must demonstrate one of the following: compliance with agency-administered and approved plan, compliance with set of best management practices for commercial production, compliance with income test, evidence of net income from farm operation, evidence that farming is principal source of income, certification by agency in county that land is operated under sound management plan

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### Property Tax Deferral Working Waterfront Property

- Effective July 1, 2009, the following property is appraised and taxed at PUV if it has produced an average gross income of at least \$1,000 for the most recent three-year period:
  - Pier that extends into coastal fishing waters and requires access fee
  - Real property adjacent to coastal fishing waters and primarily used for commercial fishing operation or fish processing

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### Property Tax Deferral Wildlife Conservation Land

- Effective July 1, 2010, following land is appraised and assessed as if it were agricultural land under the PUV program if it meets all of the following size, ownership, and use requirements:
  - Consists of at least 20 contiguous acres, but no more than 100 acres of an owner's land in the county may qualify
  - Owned by individual, family business entity, or family trust for the previous five years
  - Land managed under written wildlife habitat conservation agreement with NC Wildlife Resources Commission
  - Land was classified as farmland under PUV program when the conservation agreement was signed

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### Property Tax Deferral Historic Property

- ☐ Real property designated as historic property or as historic landmark by local ordinance is taxed at 50% of market value
- ☐ Deferred taxes for the preceding three years become due when there is a change in the ordinance or a change in the property other than by fire or other natural disaster

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### Property Tax Deferral Historic District Property

- ☐ The following historic district property is excluded from property tax:
  - ☐ must be held by nonprofit corporation organized for historic preservation and held for future site for historic structure
- ☐ Land may be excluded for five years
- ☐ Deferred taxes become due if historic structure not moved to property within five years

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### Property Tax Deferral - Nonprofit property held for future low or moderate income housing

- ☐ Real property held by nonprofit organization as future site for housing for individuals or families with low or moderate income is exempt from property taxes for five years
- ☐ Deferred taxes due if property not used for this purpose within five years

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## Property Tax Deferral Inventory Property

- Effective July 1, 2010, an occupant-ready residence constructed on parcel of real property and owned by a general contractor for resale qualifies for a property tax deferral
- Amount deferred for the real property is the portion of tax that represents the increase in property value resulting from construction of residence on the property
- Deferred taxes become due when one of following occurs:
  - Builder transfers residence
  - Residence is occupied
  - Five years have passed from time property was first subject to listing for tax benefit
  - Three years have passed from date property first received the benefit

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## Property Tax Motor Vehicles

- Local governments collect property tax on motor vehicles registered in State
- DMV sends monthly data to each county identifying vehicles that have been issued or renewed registrations
- Most vehicles registered on staggered basis throughout calendar year
- County then sends tax bill to vehicle owner
- Tax due first day of fourth month following (1) last day of month in which new registration applied for, or (2) date former registration expires

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## House Bill 1779 - Combined MV Registration Renewal and Property Tax Collection System

- HB 1779 ratified during 2005 Session
- Current registration renewal and tax notices will be combined into single notice
- Taxes collected at registration or renewal
- Value of vehicle based on schedule for all 100 counties
- Vehicle owner can pay taxes and registration fees at any DMV or tag office in the State

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## Deed Stamp Tax

- State imposes a tax on most recorded deeds
- Tax measured by price paid for property
- Rate is \$1 for each \$500 of sales price
- Tax collected by county: ½ to county for any public purpose, and remaining ½ to Department of Revenue (75% to Parks and Recreation Trust Fund and 25% to Natural Heritage Trust Fund )

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## Deed Stamp Tax

- Following transfers are exempt:
  - By operation of law
  - By lease for a term of years
  - By will
  - By intestacy
  - By gift
  - No consideration paid
  - By merger, conversion, or consolidation
  - By instrument securing indebtedness

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## Local land transfer tax

- In 2007, counties authorized to levy either a land transfer tax (up to 0.4%) or local sales tax (.25%)
- Proceeds may be used for any lawful purpose
- 23 referendums have been held and all were unsuccessful
- Seven counties given authority to impose tax by local legislation: Dare, Currituck, Chowan, Camden, Pasquotank, Perquimans, and Washington (never enacted in Washington)

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Questions????

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